

VZCZCXRO9545
RR RUEHCHI RUEHCN RUEHDT RUEHHM
DE RUEHJA #1091 1770640
ZNR UUUUU ZZH
R 260640Z JUN 09
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC 2703
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS COLL
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RULSDMK/DEPT OF TRANSPORTATION WASHDC
RUEANHA/FAA NATIONAL HQ WASHINGTON DC

UNCLAS JAKARTA 001091

SIPDIS

DEPT FOR EEB/TRA/OTP KGUSTAVSON
FAA FOR FAA/API
SINGAPORE FOR MARY WALSH
BANGKOK FOR MARK DUNN
DEPT PASS USTDA DROSSITER

E.O. 12958: N/A

TAGS: [EAIR](#) [ECON](#) [SN](#) [TH](#) [ID](#)

SUBJECT: USTDA GRANT FOR AVIATION SAFETY - ANOTHER POSITIVE STEP

REFS: A) 08Jakarta2304
B) 08Jakarta775
C) 07 Jakarta 3249
D) 07 Jakarta 1077

11. Summary: The U.S. Trade and Development Agency (USTDA) awarded \$341,000 in grant funds to Indonesia's Directorate General of Civil Aviation (DGCA) to enhance the safety and security of the country's aviation sector. The technical assistance grant is the latest effort to bolster the civil aviation regulatory authority and help Indonesia meet international standards for aviation safety. DGCA is making progress in reforms and is receiving assistance from the Federal Aviation Administration (FAA), Australia, Japan, the European Union (EU) and the International Civil Aviation Organization (ICAO). However, the Indonesian government and airlines remain stung by the EU ban on Indonesian airlines, and to a far lesser extent by the 2007 FAA downgrade to Category "2" (Ref D). The USTDA grant will help DGCA develop a plan for meeting international safety standards, but will not cover implementation costs. The restructuring and strengthening of DGCA's regulatory capabilities will foster continued growth in Indonesia's aviation sector and provide opportunities for U.S. business. End Summary.

USTDA grant - a critical part of the solution

12. Ambassador Hume and DGCA Director General Herry Bakti signed the \$341,000 grant agreement on June 23 at the Ministry of Transportation. The USTDA grant will fund a review of the DGCA's current operations, make recommendations to strengthen its regulatory authority, and develop an implementation plan for the DGCA to comply with international standards for aviation oversight and regulation. The recommendations and plans will provide an over-arching logic and path forward considering the ongoing DGCA reforms, the new civil aviation law, and the myriad of assistance efforts.

13. The FAA, Australia, Japan, EU, and ICAO are all engaged to help the DGCA become an effective aviation safety regulator. The FAA provides on-going technical assistance to the DGCA and most recently focused on runway assessments at the airports in Bali and Jakarta. In the past year, FAA and Post organized an exchange program through the International Voluntary Visitor Leadership Program for DGCA staff to meet with counterparts in the U.S. Australia, the largest donor in the sector, has a \$22 million assistance program that includes building capacity for DGCA in aviation planning, air navigation services, safety, and training for air traffic controllers and technicians. Japan, EU, and the International Civil Aviation Organization (ICAO) are other partners with projects and assistance to improve aviation safety and security in Indonesia.

Why do they need help?

¶4. DGCA, as the regulatory authority, and the airport infrastructure have not kept pace with industry growth. The Indonesian aviation sector ballooned after deregulation in 1999 -- currently there are 51 air carriers, 16 of which are passenger service airlines. Several high-profile, fatal passenger aircraft accidents put Indonesian aviation safety under increased scrutiny. In April 2007, FAA downgraded Indonesia to Category "2" status due to concerns about the DGCA's safety oversight of air carriers. In June 2007, the EU followed suit and banned all Indonesian airlines. The Indonesian reaction has been more negative toward the EU ban than the FAA downgrade because of the EU ban's economic impacts and the manner in which the ban and the exemptions process have been handled.

EU Ban and FAA downgrade - looking forward

¶5. The Indonesian government is seeking exemptions to the EU ban for individual airlines including for state-owned Garuda Airlines. After over a year of attempts, the DGCA is cautiously optimistic that an upcoming EU parliamentary meeting will approve exemption of some airlines from the EU ban. In the coming year, the FAA downgrade may get more attention. As a result of the 2007 FAA downgrade of Indonesia's safety oversight from Category "1" to Category "2", Indonesian airlines are prohibited from flying to the U.S. To date, this has been a non-issue because no Indonesian airlines fly to the U.S. (Note: Garuda Airlines last flew to Los Angeles in 1997.) However, Garuda aspires to resume flights to the U.S. in the next one to two years using recently secured, but not yet delivered, Boeing 777 jets. The DGCA will have to overcome significant hurdles for FAA reconsideration once Garuda or another Indonesian airline is ready to fly to the U.S.